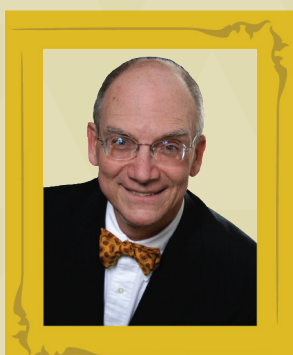




YOUR ^{VS} GOVERNMENT LOVNS



TIM SCHAEFER, Chief Finance Advisor
CA State Controller's Office

"Confused about loans? Credit scores? Bonds? Don't worry, California has loans too, just like you!"



CITY
HALL

COLLEGE
ORIENTATION
BULLETIN

Government vs Student

I Need \$1 Million
For a New Park

I Need \$50,000
For Tuition Fees

HOW CAN I PAY FOR THIS?

- 1) WAIT SEVERAL YEARS, PAY IN CASH
- 2) BORROW MONEY, BUY NOW ✓

To finance large payments, individuals and governments need to borrow money. Governments issue loan contracts known as BONDS to the public, while individuals take out LOANS from financial institutions.

Gov't. Issues
BONDS in

**BOND
MARKET**

=

You take out
LOANS from



LENDER
Bond
Holders

MONEY
Bond

BORROWER
Government

LENDER
Financial
Institution

MONEY
Loan

BORROWER
Student

TO TAKE OUT A LOAN, GOV'T & YOU ARE ASSESSED ON CREDIT SCORE OR RATING

A credit score demonstrates the likelihood an individual or an entity can repay loans. This figure is determined by numerous factors, including the borrower's financial stability and payment history.

GIVEN BY: CREDIT RATING AGENCIES

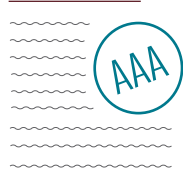
Ex: Moody's, S & P, Fitch

(Letter grade)

- Bad Score: CCC
- Average Score: BBB/Baa2
- Good Score: AAA/Aaa

Note: Different rating agencies may represent the same class of credit holders with different designations

CREDIT RATING



Must obtain a minimum score to take out a loan

FICO SCORE



GIVEN BY: CREDIT SCORE COMPANIES

Ex: Fair Isaac Corporation (FICO),
Equifax, TransUnion

(Numerical value)

- Bad score: below 599
- Average score: 600-700
- Good score: 700+

HOW YOU CAN IMPROVE YOUR CREDIT RATING

- REQUEST A FREE CREDIT REPORT AT AN OFFICIAL GOVERNMENT WEBSITE REGULARLY: <http://www.annualcreditreport.com/>
- PAY YOUR BILLS ON TIME
- REDUCE YOUR DEBT
- DON'T OPEN MORE ACCOUNTS THAN NECESSARY